Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Text

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PAGE 01 STATE 097519
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DRAFTED BY CEA: C SCHULTZE: VS
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TO AMEMBASSY BRUSSELS IMMEDIATE

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EXDIS, USEEC

E.O. 11652: GDS

TAGS: ECON, OCON,

SUBJECT: SUMMIT PREPARATIONS: ECONOMIC SITUATION

1. THE FOLLOWING LETTER FROM CHARLES SCHULTZE, CHAIRMAN, COUNCIL OF ECONOMIC ADVISERS, SHOULD BE DELIVERED ON MONDAY MORNING, APRIL 17, TO UGO MOSCA, DIRECTOR GENERAL, ECONOMIC AND FINANCIAL AFFAIRS.

2. DEAR DR. MOSCA:

I HAVE BEEN ASKED BY THE SUMMIT PREPARATORY GROUP TO CONVENE REPRESENTATIVES OF THE COUNTRIES THAT WILL BE PARTICIPATING IN THE BONN SUMMIT IN JULY FOR THE PURPOSE OF PREPARING A PAPER ON THE ECONOMIC SITUATION IN OUR COUNTRIES AND THE WORLD, AND TO CONSIDER WHAT ACTIONS BY EACH OF US MIGHT PROVIDE A BASIS FOR A MORE STABLE AND

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STRONGER WORLD ECONOMY. THE PAPER WOULD BE SUBMITTED TO THE SUMMIT PREPARATORY GROUP AS AN AID TO FURTHER SUMMIT PLANNING AND PERHAPS FOR CONSIDERATION BY HEADS OF STATE AT THEIR MEETING.

I ASSUME THAT YOU WILL REPRESENT YOUR GOVERNMENT IN THIS ENDEAVOR. WE HAVE LITTLE TIME FOR THIS WORK AS THE

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PREPARATORY GROUP WILL NEED OUR FINISHED PRODUCT BEFORE

MAY 27. I PROPOSE THAT WE PROCEED AS FOLLOWS:

FIRST, EACH OF YOU WOULD PREPARE AND SEND TO ME, NO LATER THAN APRIL 25, A STATEMENT COVERING THE FOLLOWING ITEMS:

1. WHAT IS THE ECONOMIC SITUATION LIKELY TO BE IN YOUR COUNTRY AT MIDYEAR AND HOW DO YOU SEE IT DEVELOPING DURING THE SECOND HALF OF 1978 AND IN THE COURSE OF 1979? YOU SHOULD PAY PARTICULAR ATTENTION TO THE OUTLOOK OVER THAT PERIOD FOR DOMESTIC DEMAND GROWTH, INFLATION, UNEMPLOYMENT, AND THE CURRENT ACCOUNT.

2. WHAT MONETARY, FISCAL, AND INCOMES POLICIES UNDERLIE YOUR OUTLOOK?

3. WHAT ARE YOUR EXPECTATIONS CONCERNING ECONOMIC DEVELOPMENTS IN OTHER INDUSTRIAL COUNTRIES AND IN DEVELOPING COUNTRIES?

4. WHAT ARE THE SIGNIFICANT ECONOMIC AND POLITICAL CONSTRAINTS THAT YOU SEE WHICH LIE IN THE WAY OF IMPROVING ON THIS OUTLOOK (I.E., ACHIEVING MORE RAPID GROWTH, LOWER INFLATION OR A MORE SUSTAINABLE CURRENT

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ACCOUNT POSITION)? WHAT ACTIONS BY YOUR COUNTRY OR BY OTHER COUNTRIES WOULD RELIEVE THESE CONSTRAINTS?

5. WE HAVE BEEN SPECIFICALLY ASKED BY THE PREPARATORY GROUP TO ASSESS THE PROSPECTS FOR INVESTMENT IN OUR ECONOMIES AND TO EXPLORE THE WAYS IN WHICH ANY IMPEDIMENTS TO INVESTMENT GROWTH MIGHT BE ALLEVIATED. IN DISCUSSING THE IMPORTANCE OF EXPANDED INVESTMENT YOU SHOULD DISTINGUISH CONSIDERATIONS RELATING TO AGGREGATE DEMAND FROM CONSIDERATIONS RELATING TO CAPACITY EXPANSION, PRODUCTIVITY, AND OTHER SUPPLY-RELATED MATTERS.

6. ANY OTHER INFORMATION OR VIEWS THAT YOU FEEL WOULD BE USEFUL TO ME IN PREPARING AN INITIAL DRAFT.

SECOND, AFTER RECEIVING YOUR SUBMISSION, I WILL PREPARE A DRAFT PAPER FOR THE PREPARATORY GROUP WHICH ATTEMPTS TO DERIVE A CONSENSUS BUT ALSO NOTES DIFFERENCES AND INCONSISTENCIES IN ASSUMPTIONS. THIS PAPER WILL BE SENT TO YOU BY MAY 15.

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THIRD, WE WILL MEET IN WASHINGTON FOR TWO DAYS, PROBABLY MAY 21 AND MAY 22. (PLEASE CABLE IF THESE

DATES ARE IMPOSSIBLE. THE ONLY OTHER ALTERNATIVE IS MAY 23 AND 24.) USING THE MAY 15 DRAFT WE WILL PREPARE A FINAL PAPER FOR THE PREPARATORY GROUP, WHICH WILL MEET ON MAY 27.

OUR TASK IS AN IMPORTANT ONE. WE WILL ALL HAVE TO BRING OUR BEST ANALYTICAL JUDGMENT TO BEAR ON THE PROBLEMS BEFORE US AND BE SENSITIVE TO THE DIFFICULTIES THAT EACH OF US FACES IF WE ARE TO PROVIDE USEFUL GUIDANCE. I LOOK FORWARD TO WORKING WITH YOU IN THIS EFFORT.

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SINCERELY,

CHARLES L. SCHULTZE

CHRISTOPHER

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